



**Cyfoeth  
Naturiol**  
Cymru  
**Natural  
Resources**  
Wales

Regulatory fees and charges  
for 2024/25

Consultation summary and  
NRW response

January 2024

## Contents

Introduction .....	1
Our charge proposals.....	1
Control of Major Accident Hazards (COMAH).....	1
Species Licensing .....	2
Proposals to mitigate regimes in deficit or under inflationary pressure .....	2
CPI Increase .....	3
How we consulted .....	4
How we considered the consultation responses .....	4
Consultation responses.....	4
Number of responses:.....	4
Sectors represented:.....	4
Geographical locations of respondents:.....	5
Control of Major Accident Hazards (COMAH) .....	9
To what extent do you agree or disagree with our charging proposals for COMAH? .....	9
Charges are too expensive.....	9
Competent authority approach.....	10
Seeking ways to reduce costs .....	10
Transparency.....	10
Species licencing .....	12
To what extent do you agree or disagree with our charging proposals for species licencing?.....	12
Charges should be proportionate.....	12
Cost of renewals is too high.....	13
Quality of service .....	13
Species licencing waivers.....	14
To what extent do you agree or disagree with our proposed break-even and inflationary increases to regimes in deficit?.....	15
Affordability.....	15
Charges are too expensive.....	16
Efficiency .....	17
Planning for the longer term .....	17
Service levels.....	18
Transparency.....	20

Welsh language considerations .....	22
Could the proposals affect opportunities for people to use the Welsh language? .	22
Is there a way we can increase the use of Welsh or provide more opportunities for people to use the Welsh language? .....	22
Are there any aspects of the proposals that could disadvantage people in using the Welsh language? .....	22
Do you believe the proposals treats the Welsh language less favourably than the English language? .....	22
Next steps .....	23
Annex 1 - Charging consultation proposals .....	24
Annex 2 – Responses received to the consultation.....	24
Appendix 3 – Glossary .....	38

## Introduction

As a Welsh Government (WG) body, Natural Resources Wales (NRW) must comply with requirements set out in 'Managing Welsh Public Money'. This requires that wherever possible we fully recover the costs of the regulatory services we provide from those who use them, rather than having those services funded through general taxation.

Many of NRW's fees and charges had not been fully reviewed in several years. Starting with the recent Strategic Review of Charging for applications, we have embarked on a long-term approach to ensure that charging across NRW is cost reflective.

## Our charge proposals

Where we have proposed increasing the amount of income we collect from our charging schemes, it is to recover the cost of our statutory regulatory duty which helps secure the sustainable management of natural resources and positive outcomes for the people and for nature in Wales.

When proposing new fees and charges, we follow [Managing Welsh Public Money](#) principles as well as HM Treasury rules and our legislative obligations, ensuring that only eligible costs are included within charges. This approach is also consistent with the polluter pays principle. It would not be appropriate to seek additional Grant in Aid funding for regulatory activities that should be covered by charges, nor to cross-subsidise between income streams.

We keep our regulatory processes under review, adjusting and adapting our policy and approaches to risk or to our statutory duties, ensuring that they are as efficient as possible. Any review of charges will involve more in-depth analysis of our processes and cost base. We also need to provide a service within an evolving regulatory or legislative landscape which often brings increasing complexity or demand that can affect service levels or efficiency. Improvements we make help streamline processes however if we are driven by evidence or statutory duties to do more we will. We will seek to do this as efficiently as possible whilst achieving the purpose of that duty.

We recognise the financial impact our charging proposals might have on some businesses, especially as our proposals coincide with wider financial pressures from inflation and the increased cost of living. A failure to manage our charging schemes to ensure they reflect full cost recovery would however restrict our ability to deliver our regulatory duty, prevent pollution and contribute to tackling the climate and nature emergencies. Sustainable funding means we can maintain our specialist competencies, secure compliance with legislation and permits and adapt regulation. It is important that we are able to adapt regulation and funding to deliver the level of regulation needed in Wales to prevent pollution and to ensure natural resources are sustainably maintained, enhanced, and used, now and in the future.

## Control of Major Accident Hazards (COMAH)

Natural Resources Wales, along with the Health and Safety Executive and the Office for Nuclear Regulation, form the COMAH Competent Authority in Wales.

We raise charges to recover our costs incurred based on a time and materials approach but our current charges of £161 per inspector hour leaves us under-

resourced to deliver our duties in this area. We have identified this as a substantial risk to our ability to deliver our regulatory duty.

We proposed three changes to the COMAH charges.

- Increasing the hourly compliance rate from £161/hr to £202/hr.
- We have had discussions with other UK competent authorities to ensure we have a consistent approach to engaging with prospective new COMAH entrants and existing COMAH sites carrying out modifications. NRW are proposing to adopt a COMAH competent authority approach to cost recovery for early engagement work with in-scope COMAH operators.

We are awaiting confirmation of the competent authority approach from the COMAH Competent Authority Strategic Management Group. Once agreed, NRW intend to implement the COMAH hourly rate in place at that time.

- Introducing a charge for the cost of exercising local authority COMAH emergency plans at the standard regulatory hourly rate of £125/hr. These charges will be passed on to operators through their local authority.

## Species Licensing

We recently introduced species licensing charging through our Strategic Review of Charging (SRoC) programme. This set of new proposals seek to further close the gap on achieving full cost recovery in this area and the charges proposed are the same as those introduced in tranche one of SRoC, but with a +3% inflation (Consumer Price Index [CPI] rate) uplift applied to the fixed fees element.

- Badger Licence amendments – Admin variation £75 fixed fee; complex amendments £125/hr.
- Marine European Protected species – (Imperative reasons of over-riding public interest) – New licence (complex) £125/hr; Admin variation £75 fixed fee; complex amendments £125/hr.
- Release of non-native bio-control agents – New / Renewal license (complex) £125/hr; Admin variation £75 fixed fee; complex amendments £125/hr.
- Complex amendments to survey licences to be charged at £125 hourly rate. We currently charge a fixed fee (£73) for admin & complex amendments to survey licences whereas all other complex amendments we apply across species licensing are at £125/hr. To ensure full cost recovery, we proposed to charge these complex amendment areas at £125/hr as well.

## Proposals to mitigate regimes in deficit or under inflationary pressure

For those schemes that are either in deficit currently or forecasting a deficit going forward, we proposed the following approaches:

- Specific increases to those regimes in deficit to ensure a break-even position by 2026/27. This will apply to the larger subsistence charge generating schemes.
- Inflationary increases (currently forecasted at a CPI rate of 3%) in advance of a detailed review in future years to give us certainty of full cost-recovery. This relates to those smaller charge generating schemes which would otherwise

need a significant increase to get to break-even position by 2026/27 but really require a detailed review in future years to give us certainty of full cost-recovery.

- Inflationary increases (currently forecasted at a CPI rate of 3%) to permitting charges introduced through SRoC.

The three areas of proposals are broken down as follows:

- Specific increases of +5% proposed in 2024/25 for the following subsistence areas:
  - Water Resources Standard Unit Charge (SUC)
  - Installations (including Medium Combustion Plant Directive [MCPD])
  - Site-based Waste
  - Water Quality.
- Inflationary increases (currently forecasted at +3%) proposed in 2024/25 for the following subsistence areas that need a detailed review in the next few years:
  - Non-Nuclear
  - UK Emissions Trading (Permitting & Subsistence Charges)
  - Materials Recycling Facilities (MRF)
  - Waste Carriers, Brokers & Dealers
  - Flood Risk Assessment Permits (FRAPs)
  - Reservoir Compliance.
- Inflationary increases (currently forecasted at +3%) proposed in 2024/25 for the following permitting areas:
  - Water Resources – Abstraction / Impoundment permits
  - EPR Installation permits (including recently introduced charge banding tool charges as well as Medium Combustion Plant Directive [MCPD])
  - EPR Site-Based Waste permits
  - EPR Water Quality permits
  - EPR Non-Nuclear
  - Reservoir safety
  - Species Licensing.

## CPI Increase

We have applied the latest (November 2023) HM Treasury CPI forecast rate for 2024/25, confirmed at 3%, which has reduced slightly from the 3.1% increase we had highlighted in our consultation.

Any regulatory fees and charges not contained within this consultation will remain in place at current 2023/24 rates for 2024/25.

## How we consulted

Prior to our consultation, we hosted a Chargepayers Consultative Group meeting to share the reasons and methodology, raising public and business awareness of our proposals. Welsh Government were kept informed throughout this process. We held media briefings, used social media postings and emails to draw attention to the open consultation and to seek input from stakeholders and the wider public.

The consultation was hosted online through the Citizen Space consultation hub and was open from 16<sup>th</sup> October 2023 to 8<sup>th</sup> January 2024. In addition, we accepted responses by post and by email. The consultation and response options were available in both Welsh and English.

## How we considered the consultation responses

Our analysis of the on-line consultation responses used both quantitative analysis (for example Likert scale '*Strongly Agree*' to '*Strongly disagree*'), and a qualitative approach using thematic analysis of the free text responses. This is a widely recognised approach to qualitative data analysis that enabled us to generate insights and concepts derived from responses.

We have outlined the feedback received through the consultation and our responses below. Most responses have been abridged in the 'you said' section below to distil the key points. The full text of all responses can be found in Appendix 2.

Much of this information is anonymous but where a respondent has included their organisation in their response, this has not been removed from the Appendix.

## Consultation responses

### Number of responses:

We received 11 responses through the consultation. Five of these were received from individuals, five were received from organisations on behalf of their members and one was received from a business. Two of the responses from organisations were submitted as written responses only rather than via our consultation hub.

We have grouped points made in response to free-text consultation questions into recurring themes.

### Sectors represented:

We received responses from individuals, organisations, and businesses in the following sectors:

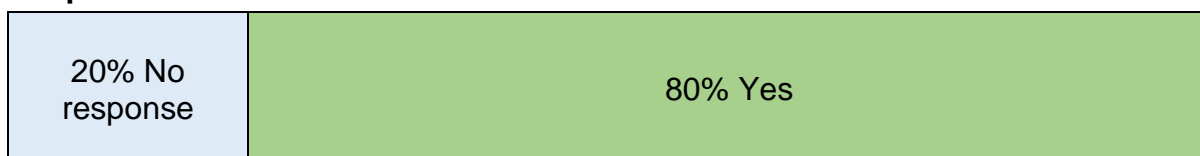
- Agriculture, Forestry and Fishing
- Construction; Activities of households as employers; undifferentiated goods – and services – providing activities of households
- Manufacturing
- Professional, scientific, and technical activities
- Real estate activities
- Water supply sewerage, waste management and remediation activities.

## Geographical locations of respondents:

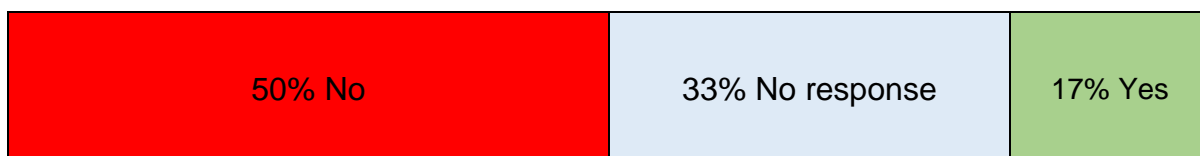
- Wales-wide – 46%
- North-East (Denbighshire, Flintshire, or Wrexham) – 9%
- South-West (Carmarthenshire, Neath Port Talbot, Pembrokeshire, or Swansea) – 9%
- Location not given / other – 36%

## Do you currently hold a licence, permit or consent issued by NRW?

### Responses from individuals:

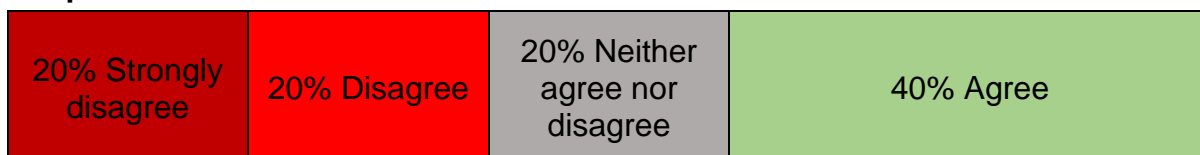


### Responses from organisations and businesses:

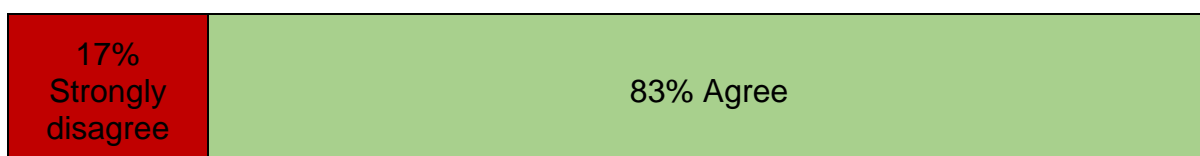


## NRW's regulatory services should be paid for by those who use them and not by the taxpayer or other charge payers. Do you agree or disagree?

### Responses from individuals:



### Responses from organisations and businesses:





### You said:

- In the context of permitting, the application of the 'polluter pays' principle is not clear cut. Where, through the permitting regime, the delivery of wider public goods, including food security and rural vitality and socio-economic benefit can be secured we believe a strong case can be made to support the delivery of the charging regime through Grant in Aid.
- There is also a need for NRW to recognise that farmers will be central to the delivery of its environmental objectives going forward and farm businesses can only deliver wider benefits for society from a position of economic viability. An enabling regulatory regime, including permitting, is vital for farmers to develop and build economic and, therefore, environmental resilience for the future.

### Our response:

Most respondents agree that the cost to NRW of providing regulatory services should be funded by those receiving the benefit of that service rather than other sources of income such as cross subsidy or general taxation (Grant in Aid). This is in keeping with *Managing Welsh Public Money* and HM Treasury rules.

We believe it would be unreasonable to seek alternative funding for regulatory activities where these should be covered by those directly benefiting from the service we provide to them. We cannot subsidise one regulatory regime from other unrelated income streams.

In the same way, we are not able to subsidise charges for any one business sector even where the regulated activity also provides some wider benefit through its operation. In exceptional, specific circumstances and for non-commercial activities, NRW supports a small number of activities through waivers although these are regularly reviewed.

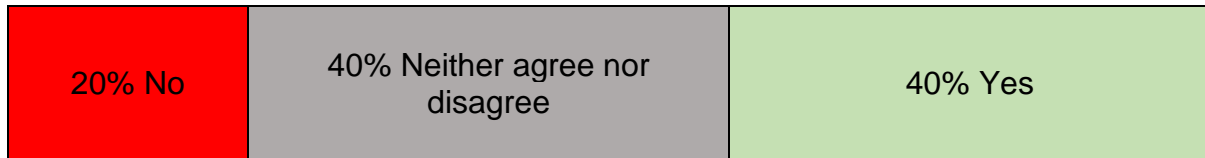
We regulate many individuals and businesses through a variety of legislation. Much of the activity we regulate has elements of societal benefit, and the potential to support our role delivering wellbeing, and may provide opportunities for enhancement. We regulate these activities because we have a statutory duty to do so as they also carry the risk of harm.

Regulation provides societal benefit by providing environmental protection and preventing harm. Regulatory effort is therefore fundamental in ensuring that the natural resources of Wales are sustainably managed, that nature can recover, and that we adapt to climate change.

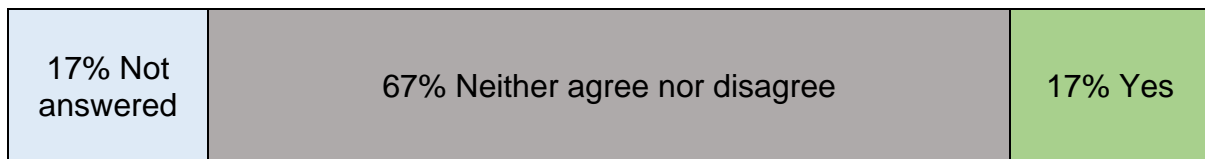
We routinely work with those we regulate to apply and adapt regulation in a proportionate and risk-based way to minimise the burden on businesses and maintain a fair and consistent approach across sectors.

## Do you think there are better alternatives to how NRW proposes to fund its regulatory activities?

### Responses from individuals:



### Responses from organisations and businesses:



### You said:

- The payment for regulatory services by those who normally use them makes an important contribution to the 'polluter pays' principle. It is anomalous that the cost of checking compliance with agricultural regulations is borne by the taxpayer, by way of Welsh Government grant to NRW.
- Very much support the polluter pays principle and, on this basis, it is only fair that any specific regulatory services provided by NRW are funded entirely by those who benefit from those permitting services.
- Where activities requiring a licence/ permit are undertaken purely for environmental benefit, and at direct cost and no commercial benefit to individuals and organisations, we believe it is appropriate for the taxpayer to bear some or all NRW's costs, as this provides wider public benefit.
- The permitting regime should be evaluated to identify where wider public goods benefits for society are delivered with a view to supporting the costs through Grant in Aid.
- It is disappointing that fines resulting from NRW enforcement work are paid to HM Treasury. This would appear to put the environment of Wales at a disadvantage compared to the situation in England. Last year, the Chancellor announced that fines resulting from Ofwat and Environment Agency enforcement activity against water companies would be reinvested in schemes that benefit the natural environment. We believe a similar policy should be in place in Wales, with fines imposed because of environmental offences used to improve the environment in Wales, not paid to the Treasury.
- I think it should be tiered to support sustainable development, with larger entities/commercial businesses paying proportionately higher fees, to then enable cheaper smaller submissions. Or lower-upfront costs to support

people, then enforcement fees and charges for breaches are ramped up (where reasonable).

Our response:

NRWs funding comes from a mixture of direct support determined by Welsh Government (Grant in Aid), commercial income or through charging income.

When considering how these different income streams relate to our charging scheme and any waivers, we must comply with funding and subsidy mechanisms, and rules already in place across Wales.

Our duties are varied, creating a complex funding picture. We are aware that anomalies exist in how beneficial activities across Wales are supported. Wherever possible we are seeking to identify inconsistencies, to maintain a good regulatory service and to ensure our activity is recovered in the most equitable and sustainable way. This is particularly important in the face of decreasing Grant in Aid funding, which could significantly diminish our ability to regulate effectively leading to environmental detriment in the long term.

While most of our regulatory activity is related to specific permissions some is more general for example where regulations are applied across Wales with no requirement currently to hold a specific permit. In these situations, we need to be supported through grant funding at the discretion of Welsh Government.

In specific situations, where appropriate, we have used waivers to contribute grant funding towards specific activities for example:

- Current waivers for specified species licencing activities will remain unchanged.
- we have previously held charges for some impoundment licence applications for non-commercial or third sector organisations at historic levels although these will be subject to 3% inflationary increase for 2024/25. These were for non-commercial activity undertaken wholly and exclusively for the purpose of environmental benefit within Water Resources (excluding activities to deliver the water company National Environment Programme).

We remain of the opinion that the costs of providing our services should be met by those who use them. Our subsistence charges recover costs of compliance activity which is key to ensuring permits deliver the protection they are intended to give and providing a level playing field within a sector. Our approach is risk based, considers the burden on business, and is proportionate in line with Section 3 of the Regulators' Code<sup>1</sup> and our Regulatory Principles<sup>2</sup>.

Charging and cost recovery in relation to enforcement is an area we are exploring across our broad remit. Fines from prosecutions return to HM Treasury or Welsh Government and we rely on Grant in Aid to fund enforcement action.

We believe enforcement, in particular prosecution, is an important tool. However we also recognise the importance of alternative approaches, which seek to drive

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<sup>1</sup> [Regulators' Code \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

<sup>2</sup> [Natural Resources Wales / Our Regulatory Principles](#)

improvement either through keeping operators in compliance or greater use of other enforcement options which re-invest in the environment.

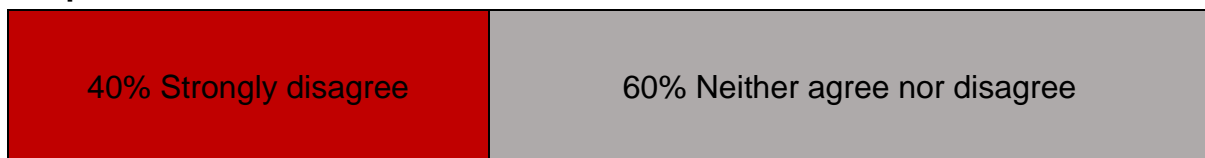
We are seeking wider scope for civil sanctions across our remit in Wales. We already use civil sanctions including enforcement undertakings where offenders can, in certain situations, contribute towards environmental improvement as an alternative to court proceedings.

In Wales we have developed a new permitting process for storm overflows to ensure long term improvements and protections are prioritised and managed by the Water Companies rather than seeking to take reactive ad-hoc enforcement action.

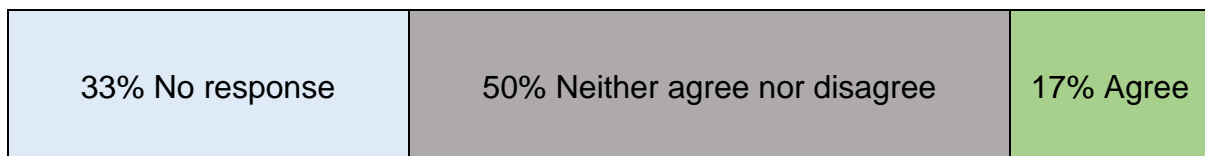
## Control of Major Accident Hazards (COMAH)

### To what extent do you agree or disagree with our charging proposals for COMAH?

#### Responses from individuals:



#### Responses from organisations and businesses:



### Charges are too expensive

#### You said:

- The accountants need to stop bean-counting and actually get fixed and variable costs-down, and without seeing how that £161\* is derived, very difficult to say whether it's fair or not, but looks very high. If they think £161/hour is a reasonable hourly for cost recovery (and how many hours needed per case?).
- I work in the private sector and charge out at £150+VAT/hr for professional service, with a healthy gross margin factored into that price. That's now even with utilities inflation having increased, which has reduced that gross margin element slightly.

\* Note that we are proposing a charge of £202/hr and not £161/hr as stated by the respondent.

#### Our response:

Our role in preventing the risk of the most serious and long-lasting pollution incidents is a specialised area that requires highly trained staff. Currently the other UK competent authorities are carrying out a similar review of COMAH charges to NRW for the year 2024/25. Their equivalent charges for the current year 2023/24 are:

- Scottish Environmental Protection Agency - £189 per hour
- Environment Agency COMAH charge - £161 - [Environment Agency fees and charges - GOV.UK \(www.gov.uk\)](#) and
- HSE charge out rate - £192 - [HSE - Charging: Cost recovery for COMAH Activities - A guide](#).

We are satisfied that the proposed charge reflects the cost to NRW of the work we do and ensures that we can provide a high-quality service going forward.

Like many businesses across Wales, we are exploring how we can reduce our costs and carbon footprint by rationalising our overheads including buildings.

## **Competent authority approach**

### You said:

- We note that you are awaiting confirmation of the competent authority approach with respect to your COMAH proposals. How will the proposals be monitored and applied once confirmed and what expectation is there that the charging proposal will meet full or partial recovery costs.

### Our response:

We believe that the charging proposal we have outlined will provide full cost recovery. This will be regularly monitored to ensure that the charge recovers our costs only. If the cost to NRW of delivering the service change increases or decreases, we will propose an amendment to the charge.

## **Seeking ways to reduce costs**

### You said:

- NRW need to seek cost-downs or income-up opportunities (i.e., perhaps solar panels on the buildings to reduce fixed overhead, if NRW are having to pay floorspace rates, could the building be put into a charity and NRW rent the building back for a peppercorn rent, there are surely plenty of options to get cost-downs and income-ups).

### Our response:

We regularly look for ways to reduce our overheads. For example, our Estates programme is one of the ways we are exploring how we can reduce our costs and carbon footprint by rationalising our portfolio of buildings across Wales.

We have already taken appropriate steps to benefit from renewable energy generation on our buildings which may translate in future years to reduce overheads within charge regimes.

## **Transparency**

### You said:

- How is the £161/hour made up? There's no table of data to understand the maths of this number? ...how can the NRW cost-base be so ridiculously high to charge that and call it cost-recovery?
- Read the Welsh Government Managing Welsh Public Money requiring NRW to fully recover the costs of regulatory services from those we regulate, rather than through general taxation. However, this does not work. Albeit a different model (i.e., privatised), but look at Water Undertakers, they will pay the fines because it's cheaper than to undertake the capital works to Wastewater Treatment Works (WwTW).
- If the public want a lovely environment, they must pay for it. And under the polluter pays principle, companies should not be fined by NRW (where customers are not facing price hikes because of the fines), and individual company directors sacked/disgraced held personally liable for harms undertaken with them in charge (i.e., the water company directors).

#### Our response:

NRW has used the principles of full cost recovery in line with *Managing Welsh Public Money* to arrive at the proposed charges. This directs that we should not incur either a profit or a loss from our regulatory activities. We are only permitted to recover our costs and we are not able to cross subsidise from other sources of funding.

We have calculated each charge by identifying the direct activities involved in determining each type of permit/license, how long they take and what cost. A fair and proportionate allocation of the cost of indirect activities was then applied based on the level of direct activity. We believe that our methodology is sound and compliant with both *Managing Welsh Public Money* and regulatory principles.

We have ensured that our approach is in line with other UK competent authorities.

In this highly regulated sector where responsible permit holders work closely with us to prevent harm, we do not believe that seeking full cost recovery for our regulatory charges in line with the principles of *Managing Welsh Public Money* is a barrier to engagement.

NRW are presenting the breakdown of the charge modelling data to the COMAH Cost Recovery Group, made up of a mix of regulators and permit holders.

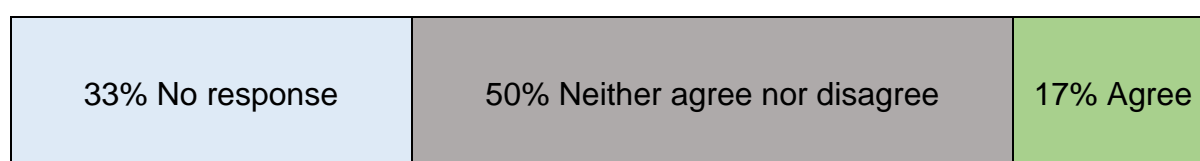
## Species licencing

### To what extent do you agree or disagree with our charging proposals for species licencing?

#### Responses from individuals:



#### Responses from organisations and businesses:



#### Charges should be proportionate

##### You said:

- The current charging rates are unfair as they are based on householder or local development status. This means a house can double in size and pay nothing, but a small barn conversion pays nearly £1,000.
- The charging rates are also the same for an individual bat or a large maternity colony.
- Could Wales not introduce a small roost license as in England?
- At the moment, the very people we are trying to educate and expect to look after bats in the future are the ones being penalised the most.
- The charges seem very weighted towards larger developments with no concessions for smaller ones where budgets are often very tight.

##### Our response:

We intend reviewing waivers for householder developments and extensions in 2025. Going forward, as NRW decreases its reliance on Grant in Aid funding we may consult further on changes to these waivers.

The charge for smaller developments is based on the average time taken to determine a licence. We considered that this was the fairest way to charge smaller developments and ensures applicants know the upfront cost.

The charge for large developments is based on an hourly rate and not a standard fixed fee. It is therefore difficult to say whether the charges are significantly different for local development status or householders – they could be higher or lower depending on the determination time and level of complexity.

Application charges for individual bat or larger maternity colonies are based on average costs as this provided the fairest and most efficient solution. This helps to reduce the complexity of the charging scheme; it allows customers to understand their charge and reduces the administrative burden on NRW staff.

At present we are not looking at introducing small roost licenses but will keep under review.

### **Cost of renewals is too high**

#### You said:

- I understand applying the charge for a new application given the additional processing time however for renewal seems like extortion.
- Charging £133 for renewal of a previously granted license when there are no amendments, changes or additional information is outrageous.
- I do not see how you have calculated these break-even fees when it costs the same to process a whole new application as it does to rubber stamp a renewal this doesn't seem to add up...

#### Our response:

When we receive a new application, the work we undertake includes checking references and qualifications. For renewals, we do not redo these checks, but the work we do includes assessing the information provided on the use of the licence over the previous two years. As a result, the time it takes to process a new application and a renewal are similar. The cost differential between an application and a bi-annual renewal is therefore comparable.

### **Quality of service**

#### You said:

- Slow response times - it took over two weeks for NRW to acknowledge I had paid and issue any form of receipt for my previous license.
- There have been no improvements in service since the charges.

#### Our response:

Receipts are supplied when requested by a customer. We don't issue receipts for species licence applications as a matter of course. Customers who pay by card payments will receive a Worldpay receipt. We will further investigate how receipts can be provided.

The Strategic Review of Charges (SRoC) programme set out to fully cost recover for existing work and to fund the service at current levels.

We acknowledge that the response time we are currently achieving is longer than we would like. We are receiving an unprecedented number of applications and email queries which is putting additional pressure on our services. We are looking at ways that we can improve the service we provide.



## Species licencing waivers

### You said:

- We assume that the proposals are purely an update on the introduced species licensing charging through your SROc programme put forward in the previous year and that any waivers identified through that programme remain in place with no changes.
- Some activities requiring a licence/ permit are undertaken purely for environmental benefit, and at direct cost and no commercial benefit to individuals and organisations, including the charities we represent. Such work is usually in furtherance of NRW's own aims. In these circumstances, we believe it is appropriate for the taxpayer to bear some or all of NRW's costs, as this provides wider public benefit. In this respect, we believe the current waivers in respect of species licensing should remain (albeit with more transparent guidance), so their costs continue to be borne by the taxpayer.
- We are aware that some conservation activities requiring species licenses by our members have not been included under the conservation waiver where projects also bring in a profit from some of the activity of the project, despite the main purpose of the project being conservation. We would like to see greater clarity and guidance around when the waiver for conservation, scientific research and education might not apply. The application process should be more transparent, and we believe the waiver should apply to any project whose main purpose is conservation.

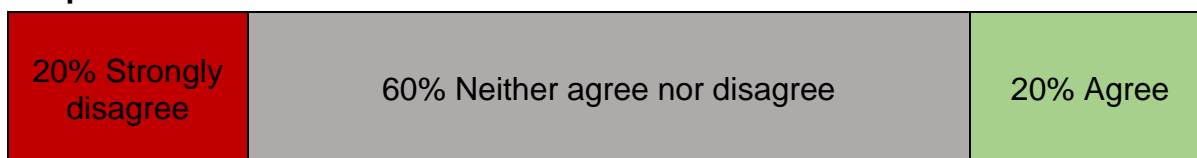
### Our response:

Increases to charges have been proposed to ensure that this work area does not fall in to budget deficit. The waivers implemented through our Strategic Review of Charging (SROc) programme remain in place for 2024/25 and are unchanged.

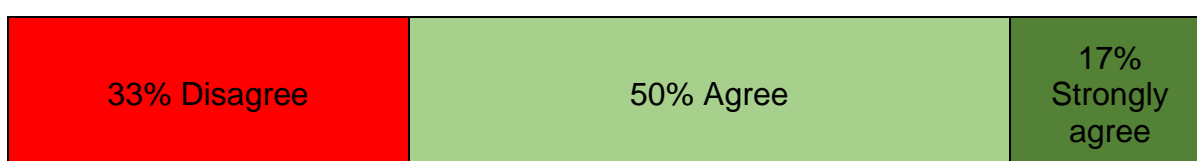
Waivers are only considered where there is no commercial element to the works and at NRW discretion. If an activity being licenced is purely for conservation purposes with no commercial element, a waiver can be applied. Where works have both a commercial element and a conservation element, a waiver will not apply.

## To what extent do you agree or disagree with our proposed break-even and inflationary increases to regimes in deficit?

### Responses from individuals:



### Responses from organisations and businesses:



### Affordability

#### You said:

- Welsh Government and their agencies should give due consideration to the affordability of proposals and their impact on farm business viability.
- Impact on Welsh Government's wider policy agenda, for example, in relation to decarbonisation, animal welfare and building economic and environmental resilience for the future.
- We do not believe it is a sustainable position for NRW to continue to raise its fees and charges year on year without first exploring where cost savings can be implemented.
- CIWM Cymru is aware that smaller operators will be impacted by these increases, and it could force some to shut down their business.
- We welcome NRW's commitment to maintain as far as possible the existing annual subsistence charges. We note, however, that farms holding existing permits NRW proposes an inflationary increase across many regimes. We ask NRW to consider these proposals in the context of the significant inflationary pressures outlined earlier in this response.

#### Our response:

We recognise the financial impact our charging proposals might have on some businesses, especially as our proposals coincide with wider financial pressures from inflation and the increased cost of living.

NRW must work in line with the principles of Welsh Governments' *Managing Welsh Public Money*. This means that we should not incur either a profit or a loss from our

regulatory activities. We only seek to recover our costs and we are not able to cross subsidise from other sources of funding.

We are currently not recovering our costs in several regulatory regimes leading to financial deficits. This has led to a reduction in service in some areas of our work. Whilst we have changed some of our processes to be more efficient, this is not enough to balance the full costs of delivery.

NRW regularly reviews its overheads and implements efficiencies where feasible. For example, a programme of assessing accommodation needs and lease terms has been ongoing for three years. This has resulted in building closures with further rationalisation planned.

The charge proposals consulted on in this consultation relate only in regimes that are in deficit. We have not proposed these increases lightly and constantly look for ways to reduce our costs.

A failure to manage our charging schemes to ensure they reflect full cost recovery would restrict our ability to deliver our regulatory duty, prevent pollution and contribute to tackling the climate and nature emergencies.

### **Charges are too expensive**

#### You said:

- Inflation cost-adder understood; however, the cost of a full abstraction licence is excessive, and must surely contain a large profit margin, beyond cost-recovery?!
- I'm looking to scale a start-up business and want to do things properly from the get-go. Though, £6,327 full abs licence + £917 HRA + £1,000 advertising is £8,244 is far too high.

#### Our response:

The cost increases referred to by the respondent were enacted in July 2023 and are not subject to this consultation. For 2024/25, we proposed only inflationary increases for abstraction licencing.

NRW must work in line with the principles of Welsh Governments' *Managing Welsh Public Money*. This directs that we should not incur either a profit or a loss from our regulatory activities. We are only permitted to recover our costs and we are not able to cross subsidise from other sources of funding.

Whilst we do recognise the impact that these proposed charges will have on some businesses and individuals, using other funding sources such as the wider public purse (Grant in Aid) is unsustainable, and no longer appropriate in funding these regulatory charge shortfalls.

Prior to our Strategic Review of Charges, the fees and charges for many of our services had not increased in line with inflation and in some cases had not been reviewed in many years. Our ability to run our services has been further impacted by the more recent, unprecedented rise in inflation contributing to the cost-of-living crisis.

## **Efficiency**

### You said:

- The assumption underpinning the question suggests that the regulatory services provided by NRW are efficient, cost-effective and provide value for money. This is not the experience of our members who utilise NRW regulatory services currently. In this context, we do not believe it is fair for NRW to simply pass on the costs of its services to those it regulates where improvements and, therefore, cost savings could be achieved.
- 'Managing Welsh Public Money' says that organisations supplying public services should always seek to control their costs so that public money is used efficiently and effectively. The impact of lower costs should normally be passed on to consumers in lower charges.
- Whilst the proposed charges aim to recover NRW's costs in regulating permitted sites, we do think there is further scope to realise efficiencies through smarter regulation. For example, making more use of operators' existing externally verified management systems could free up NRW resources and enable potentially lower costs to be imposed on operators without compromising environmental or social outcomes.

### Our response:

NRW is committed to continually improving our processes making them as streamlined and efficient as possible, providing a valuable service and a reduced burden on business.

Although we do seek to continuously improve our ways of working, we have been doing more with less for several years which has an impact on the service we provide.

These changes ensure that our charges reflect the cost of delivering our services. NRW's services have been under recovering and under financial pressure for some time. This review has mainly focused on proposed inflationary charges and only in areas operating at a deficit.

Our subsistence charges and how we calculate them form part of a longer-term programme of work to review all charges. This is now underway following our Strategic Review of Charges (SRoC) for permitting activities, which ended in 2023. A review of our current service levels will form part of the review of subsistence charges performance. As part of this review, we will be looking at how we prioritise compliance checks and will consider the suggestion that externally verified management systems could be a factor in determining risk.

## **Planning for the longer term**

### You said:

- With respect to the charging principles of providing longer term planning horizons wherever possible and to avoid cycles of cutting and increasing charges by managing surpluses and deficits, the rise of annual subsistence charges for 2024-25 appears to go against these principles. This increase adds an unforeseen cost to our budgeting for 2024-25 and the consequence

of this in terms of delivering other customer priorities as it will be challenging to deliver compensating efficiencies at such short notice. A smoothing rate over the remaining years of AMP7 (2020-25) and early provision of potential changes in AMP8 (2025-30) would allow us the opportunity to develop and implement compensating cost saving initiatives, avoiding this cost effectively being passed onto our customers. Such efficiencies could be linked to NRW's service delivery improvement plan, enabling us to have more certainty around permitting delivery times within our own delivery times.

Our response:

We have followed our standard approaches to public consultations and in the case of the proposed rise in water annual subsistence charges, we would have highlighted our intentions early on in 2023/24 through our Chargepayers Consultative Group prior to going live with the consultation itself. In addition, it should be standard practice in scenario planning to allow for inflationary pressures year-on-year.

We will give indications of likely timescales of more in-depth subsistence reviews in good time to assist with scenario planning for the AMP8 period. We are carrying out a prioritisation exercise to that effect.

**Service levels**

You said:

- Charges should enable an effective level of regulatory activity to be undertaken in those regimes with the greatest incidences of non-compliance and environmental harm.
- Disappointed that the main criterion being used for setting regulatory charges is financial break-even. Starting point should be the level of regulatory effort required to ensure a high degree of compliance and minimal risks to the environment and human health.
- NRW should be more proactive in adopting risk based regulatory approaches, where regulatory effort is focused on the sites/permits which are at greatest risk of non-compliance. Those associated with a poor compliance record should pay more, on a permit-by-permit basis, than those with a good record.
- While we support the need for these increases to enable each regime to reach a break-even point, we are concerned that this is based on a presumption that the current level of regulatory activity is sufficient.
- It would be beneficial if a service delivery improvement plan could be provided in conjunction with the consultation to provide this clarity, along with showing progress in finding and enacting efficiencies in its processes to keep costs of these services to a minimum.
- NRW needs to provide further information to accompany consultations on charge proposals to enable an effective assessment of its proposals. In particular, it should set out the current levels of regulatory effort and the extent of non-compliance in each regime. This would enable an assessment to be

made of the effectiveness of each regime in protecting the environment and human health, rather than just its financial health.

- CIWM Cymru fully support the proposed increases and are aware of the impact the Banding Tool consultation costs will make to some of the subsistence areas. CIWM appreciate the reasoning behind the increases but ask that these increases are not just about auditing the sectors but making the regulatory control changes consistent.
- CIWM Cymru also suggests NRW consider site visits for permitting personnel to help them understand the sectors they permit. CIWM Cymru is aware that this is likely to be supported by businesses.
- CIWM Cymru would expect the fee increases to deliver a turnaround of permit applications to the statutory level and support the retention of experienced permitting personnel. This should address the current two-month allocation time.
- Currently area officers are doing pre-applications with little knowledge and when fully assessed by the permit team have different outcomes, due to area officers having little experience of permitting applications, if this is addressed with the increases, CIWM is fully supportive.
- Even though we (the Wood Recyclers' Association on behalf of its members) agree that waste permitting regulation should be self-funding, the increases being proposed are hefty particularly at a time when there are delays in permitting and FPP approvals. Will these increases be accompanied by an improvement in services received/timescales? These delays have a big impact on businesses whose growth is constrained through painfully slow processing by the regulator.
- An efficient and timely permitting service is vital to our members to ensure that the recycling and waste industry is able to invest and realise its full potential contribution towards meeting the UK's circular economy and net zero ambitions.
- Whilst we agree with the principle of NRW better recovering its costs, we do have some concerns about current service levels provided by NRW for permitting activities. The above inflation costs outlined purport to more accurately reflect the level of NRW resources required. We therefore expect there to be even more justified scrutiny by our members, and by other sectors, on NRW's permitting performance and an expectation that permitting service levels will improve.
- Data from NRW's Regulatory Report (2022) and evidence given by NRW's CEO Clare Pillman suggest significant levels of non-compliance in a number of regimes and a comparatively small number of permits being checked for compliance.

#### Our response:

The charges proposed in this consultation are intended to ensure we maintain charge schemes (in respect of subsistence charges for example) ahead of more in-depth, comprehensive service and charging reviews. We are investing in work to improve and reform our permitting service to help deliver efficiencies.

We have applied the 'polluter pays' principle, basing the charges on regulatory effort. During our Strategic Review of Charging (SRoC) programme we were able to adjust charges to better reflect application processes which are influenced by risk and activity.

Until now we have been limited in the depth of subsistence charge review, we could undertake. It is however our intention to carry out more in-depth reviews of subsistence over the coming years.

As part of this review, we will be looking at the frequency and number of compliance checks we undertake. This will help ensure that our charges better reflect the required compliance effort and the risk of harm whilst identifying relevant efficiencies. Wherever possible cost models take into account risk and effort required to regulate the activity.

We already apply an approach in some regimes to adjust subsistence charging based on operator performance and during future reviews of charging we will be considering how this can be applied across other areas.

We note the inconsistencies reported by CIWM members between area and permitting guidance and will consider the suggestion of site visits for permitting personnel.

We will consider the inclusion of information relating to current levels of regulatory effort and the extent of non-compliance in each regime in future consultations.

## **Transparency**

### You said:

- 'Managing Welsh Public Money' also states that public organisations are expected to neither to profit at the expense of consumers nor make a loss for taxpayers to subsidise and this requires honesty about the policy and rigorous transparency in the public interest. The guidance also places emphasis on monitoring the performance of a service being charged for.
- The principles of transparency and efficiency are reinforced within the Regulators Code which is clear that Regulators should avoid imposing unnecessary regulatory burdens through their regulatory activities (the whole range of regulatory options and interventions) and should assess whether similar social, environmental, and economic outcomes could be achieved by less burdensome means.
- The Regulators Code also states, with respect to fees and charges, that Regulators should ensure that their approach to their regulatory activities is transparent and clearly explain the basis on which these are calculated.
- Charges should be transparent, with their makeup publicised on the NRW website. It should be clear that charges cover only those direct costs relevant to the licence in question, and not those more general costs associated with NRW performing related regulatory functions such as general monitoring of the environment.

- Pleased to see a commitment from NRW to keep general fees and charges for 2024/25 largely unchanged following the significant cost increases brought in through last year's Strategic Review of Charges (SRoC) across a broad range of areas.
- Agree with the principle, but no table of maths as to how this will be achieved over time, particularly the cost base maths.
- A full independent review should be undertaken of NRW's charging regime to ensure greater levels of accountability and transparency. The review should identify where systems and processes can be streamlined and where efficiencies can be made with the aim of keeping costs to a minimum.
- It just assumes the accountants have done their maths properly.
- CIWM Cymru seeks clarification as to the impact of NRW's review of permits, as we assume this is coming. What impact of cost will this bring?

Our response:

NRW has used the principles of full cost recovery in line with *Managing Welsh Public Money* to arrive at the proposed permit application charges. *Managing Welsh Public Money* directs that we should not incur either a profit or a loss from our regulatory activities. We are only permitted to recover our costs and we are not able to cross subsidise from other sources of funding.

We have calculated each charge by identifying the direct activities involved in determining each type of permit/license, how long they take and what cost. A fair and proportionate allocation of the cost of indirect activities was then applied based on the level of direct activity. We believe that our methodology is sound and compliant with both *Managing Welsh Public Money* and regulatory principles.

Our annual subsistence charges are risk based and at present reflect current service levels and resources. Our subsistence charges and how we calculate them form part of a longer-term programme of work to review all charges that is underway after our Strategic Review of Charges (SRoC) for permitting activities which ended in 2023. A review of our current service levels will form part of the review of subsistence charges. We agree that these charges should reflect both environmental risk and good environmental performance.

NRW have provided detailed information on the methodology used to calculate charges in response to requests for further information. We are satisfied that we have been transparent in our methodology. As previously stated, efficiencies are identified as part of the charge modelling process.

An independent review of NRW's fees and charges within the scope of SROC was carried out in 2023 by the Welsh Government Counter Fraud Unit under the watch of the WG Deputy Director, Audit, Assurance & Counter Fraud. The review was in response to assurances sought on the underpinning evidence and methodology of NRW's SROC proposals. In summary, the review concluded that NRW had followed a robust methodology to support the charge proposals within SROC. We therefore do not believe there is any value in carrying out another independent review and aim to proceed in reviewing our annual subsistence charges in more detail over the next few years.



## Welsh language considerations

**Could the proposals affect opportunities for people to use the Welsh language?**

**Nil response.**

**Is there a way we can increase the use of Welsh or provide more opportunities for people to use the Welsh language?**

**Nil response.**

**Are there any aspects of the proposals that could disadvantage people in using the Welsh language?**

**Nil response.**

**Do you believe the proposals treats the Welsh language less favourably than the English language?**

You said:

- It is our strong view that a thriving Welsh language in rural areas is underpinned by thriving Welsh farms; any proposals that weaken the farming sector will ultimately weaken our Welsh language and what defines us as a people and a nation.
- We continue to be concerned that NRW, through its charging regime, has failed to recognise the negative impacts on Welsh family farms and the fundamental importance of a vibrant and economically viable Welsh farming industry to underpinning the Welsh language.

Our response:

We acknowledge the points made above with regards the Welsh language.

We also share a pride in supporting the Welsh language, recognising how it defines us as people and as a nation, and connects us with our natural resources and our communities.

We continue to support Welsh Government's Cymraeg 2050 ambition to increase the number of Welsh speakers and use of the Welsh Language. We are committed to creating opportunities and building confidence in the use of Welsh across the organisation, supporting engagement in Welsh between colleagues as well as with partners and customers.

We recognise the financial impact our charging proposals might have on some businesses, especially as our proposals coincide with wider financial pressures from inflation and the increased cost of living. However, a failure to manage our charging schemes to ensure they reflect full cost recovery would restrict our ability to deliver our regulatory duty, prevent pollution and contribute to tackling the climate and nature emergencies.

## Next steps

Having considered the feedback received, we have decided to move ahead with the charges proposed.

We intend to implement the updated charges on 1st April 2024 subject to Welsh Government approval.

## Annex 1 - Charging consultation proposals

The detailed proposals as outlined within the consultation can be found through the following links.

[Consultation on our regulatory fees and charges for 2024/2025 - Natural Resources Wales Citizen Space - Citizen Space \(cyfoethnaturiol.cymru\)](#)

[Ymgynghoriad ar ein ffioedd a thaliadau rheoleiddio ar gyfer 2024/25 - Natural Resources Wales Citizen Space - Citizen Space \(cyfoethnaturiol.cymru\)](#)

## Annex 2 – Responses received to the consultation

Citizen Space written comments in full

**Are there any other comments that you would like to provide in relation to our proposed COMAH charging proposals?**

We note that you are awaiting confirmation of the competent authority approach with respect to your COMAH proposals. How will the proposals be monitored and applied once confirmed and what expectation is there that the charging proposal will meet full or partial recovery costs.

How is the £161/hour made up?

There's no table of data to understand the maths of this number? ...how can the NRW cost-base be soo ridiculously high to charge that and call it cost-recovery?

The accountants need to stop bean-counting and actually get fixed and variable costs-down, and without seeing how that £161 is derived, very difficult to say whether it's fair or not, but looks very high.

To share, I work in the private sector and charge out at £150+VAT/hr for professional service, with a healthy gross margin factored into that price. That's now even with utilities inflation having increased, which has reduced that gross margin element slightly.

Read the Welsh Government Managing Welsh Public Money requiring NRW to fully recover the costs of regulatory services from those we regulate, rather than through general taxation. However, this does not work. Albeit a different model (i.e., privatised), but look at Water Undertakers, they will pay the fines because it's cheaper than to undertake the capital works to WwTW.

If the public want a lovely environment, they must pay for it. And under the polluter pays principle, companies should not be fined by NRW (where customers are not facing price hikes because of the fines), and individual company directors sacked/disgraced held personally liable for harms undertaken with them in charge (i.e., the water company directors).

**Are there any other comments that you would like to provide in relation to our proposed species licencing charging proposals?**

We assume that the proposals are purely an update on the introduced species licensing charging through your SRoC programme put forward in the previous year

and that any waivers identified through that programme still remain in place with no changes.

We are aware that some conservation activities requiring species licenses by our members have not been included under the conservation waiver where projects also bring in a profit from some of the activity of the project, despite the main purpose of the project being conservation. We would like to see greater clarity and guidance around when the waiver for conservation, scientific research and education might not apply. The application process should be more transparent, and we believe the waiver should apply to any project whose main purpose is conservation.

The current charging rates are unfair as they are based on householder or local development status. This means a house can double in size and pay nothing, but a small barn conversion pays nearly £1000.

The charging rates are also the same for an individual bat or a large maternity colony.

Could Wales not introduce a small roost license as in England?

At the moment, the very people we are trying to educate and expect to look after bats in the future are the ones being penalised the most.

There have been no improvements in service since the charges.

The charges seem very weighted towards larger developments with no concessions for smaller ones where budgets are often very tight.

Charging £133 ponds for renewal of a previously granted license when there are no amendments, changes or additional information is outrageous.

I understand applying the charge for a new application given the additional processing time however for renewal seems like extortion. This is compounded by the slow response times it took over two weeks for NRW to acknowledge I had paid and issue any form of receipt for my previous license.

Inflation cost-adder understood; however, the cost of a full abstraction licence is excessive, and must surely contain a large profit margin, beyond cost-recovery?!

I'm looking to scale a start-up business and want to do things properly from the get-go. Though, £6327 full abs licence + £917 HRA + £1000 advertising is £8,244 is far too high.

In my humble view, I think it should be tiered to support sustainable development, with larger entities/commercial businesses paying proportionately higher fees, to then enable cheaper smaller submissions. Or lower-upfront costs to support people, then enforcement fees and charges for breaches are ramped up (where reasonable).

Pre-application is provided which is great.

Other than water abstraction which I'm reading/learning about, I'm not informed enough in this area to offer anything of value.

**Are there any other comments that you would like to provide in relation to our proposed break-even and inflationary increases to regimes in deficit?**

CIWM Cymru fully support the proposed increases and are aware of the impact the Banding Tool consultation costs will make to some of the subsistence areas. CIWM appreciate the reasoning behind the increases but ask that these increases are not just about auditing the sectors but making the regulatory control changes consistent. CIWM Cymru would expect the fee increases to deliver a turnaround of permit applications to the statutory level and support the retention of experienced permitting personnel. Currently area officers are doing pre-applications with little knowledge and when fully assessed by the permit team have different outcomes, due to area officers having little experience of permitting applications, if this is addressed with the increases, CIWM is fully supportive. This should address the current two-month allocation time.

CIWM Cymru is aware that smaller operators will be impacted by these increases, and it could force some to shut down their business.

CIWM Cymru seeks clarification as to the impact of NRW's review of permits, as we assume this is coming. What impact of cost will this bring?

CIWM Cymru also suggests NRW consider site visits for permitting personnel to help them understand the sectors they permit. CIWM Cymru is aware that this is likely to be supported by businesses.

I do not see how you have calculated these break-even fees when it costs the same to process a whole new application as it does to rubber stamp a renewal this doesn't seem to add up...

With respect to the charging principles of providing longer term planning horizons wherever possible and to avoid cycles of cutting and increasing charges by managing surpluses and deficits, the rise of annual subsistence charges for 2024-25 appears to go against these principles. This increase adds an unforeseen cost to our budgeting for 2024-25 and the consequence of this in terms of delivering other customer priorities as it will be challenging to deliver compensating efficiencies at such short notice. A smoothing rate over the remaining years of AMP7 (2020-25) and early provision of potential changes in AMP8 (2025-30) would allow us the opportunity to develop and implement compensating cost saving initiatives, avoiding this cost effectively being passed onto our customers. Such efficiencies could be linked to NRW's service delivery improvement plan, enabling us to have more certainty around permitting delivery times within our own delivery times.

Even though we (the Wood Recyclers' Association on behalf of its members) agree that waste permitting regulation should be self-funding, the increases being proposed are hefty particularly at a time when there are delays in permitting and FPP approvals. Will these increases be accompanied by an improvement in services received/timescales? These delays have a big impact on businesses whose growth is constrained through painfully slow processing by the regulator.

An efficient and timely permitting service is vital to our members to ensure that the recycling and waste industry is able to invest and realise its full potential contribution towards meeting the UK's circular economy and net zero ambitions.

Whilst we agree with the principle of NRW better recovering its costs, we do have some concerns about current service levels provided by NRW for permitting activities. The above inflation costs outlined purport to more accurately reflect the level of NRW resources required. We therefore expect there to be even more justified scrutiny by our members, and by other sectors, on NRW's permitting performance and an expectation that permitting service levels will improve.

Whilst the proposed charges aim to recover NRW's costs in regulating permitted sites, we do think there is further scope to realise efficiencies through smarter regulation. For example, making more use of operators' existing externally verified management systems could free up NRW resources and enable potentially lower costs to be imposed on operators without compromising environmental or social outcomes.

Agree with the principle, but no table of maths as to how this will be achieved over time, particularly the cost base maths.

It just assumes the accountants have done their maths properly.

If they think £161/hour is a reasonable hourly for cost recovery (and how many hours needed per case?), they're simply bean-counting, and not actually seeking cost-downs, nor income-up opportunities (i.e., perhaps solar panels on the buildings to reduce fixed overhead, if NRW are having to pay floorspace rates, could the building be put into a charity and NRW rent the building back for a peppercorn rent, there are surely plenty of options to get cost-downs and income-ups).

## **Dwr Cymru – Welsh Water**

### **Consultation on Proposed Regulatory Fees and Charges for 2024/2025**

Thank you for consulting on NRW regulatory fees and charges for 2024/2025. These comments are from Dŵr Cymru Cyfyngedig, the statutory water and sewerage undertaker that supplies over three million people in Wales and some adjoining parts of England. We are owned by Glas Cymru, a single purpose, not-for-profit company with no shareholders. We provide essential public services to our customers by supplying their drinking water and then carrying away and dealing with their wastewater. In this way we make a major contribution to public health and to the protection of the Welsh environment. Our services are also essential to sustainable economic development in Wales.

We are pleased to see a commitment from NRW to keep general fees and charges for 2024/25 largely unchanged following the significant cost increases brought in through last year's Strategic Review of Charges (SRoC) across a broad range of areas that impact on Dŵr Cymru.

We find it reassuring that the SRoC programme has been guided by your charging principles, which we fully support. However, it is not clear how the changes to the fees and charges in the SRoC will support improvements in the levels of customer service that we will receive. It would be beneficial if a service delivery improvement plan could be provided in conjunction with the consultation to provide this clarity, along with showing progress in finding and enacting efficiencies in its processes to keep costs of these services to a minimum.

Our responses to the specific questions raised in the consultation have been submitted through the Online Survey portal.

In addition to our response to question six in the online survey we would like to add that we very much support the polluter pays principle and, on this basis, it is only fair that any specific regulatory services provided by NRW are funded entirely by those who benefit from those permitting services. Charges should be transparent, with their makeup publicised on the NRW website. It should be clear that charges cover only those direct costs relevant to the licence in question, and not those more general costs associated with NRW performing related regulatory functions such as general monitoring of the environment.

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## **Wales Environment Link - NRW Regulatory Fees and Charges**

December 2023

### **1. Are you responding as an individual, a business or an organisation?**

Organisation

### **2. To help us understand your point of view and sector impacts more fully, please indicate which business sectors apply to you:**

Wales Environment is a network of environmental, countryside and heritage NGOs, working on Welsh environmental policy and advocacy.

### **3. Do you currently hold a licence, permit or consent issued by NRW?**

Several WEL member organisations are landowners and managers and hold a range of NRW permits. Furthermore, a number of WEL member organisations hold species handling licences and other individual permits issued by NRW in respect of their conservation activities.

**4. In understanding your answers, it would be useful for us to know where you live or work. Which geographic area applies to you?**

WEL covers all of Wales.

**5. To what extent do you agree or disagree that NRW's regulatory services should be paid for by those who use them and not by the taxpayer or other charge payers?**

Agree

**6. Do you think there are any better alternatives to how NRW proposes to fund its regulatory activities?**

WEL agrees with the general principle that NRW's regulatory services should normally be paid for by those who use them, as this is an important contribution to the "polluter pays" principle. We find it anomalous that the cost of checking compliance with agricultural regulations is borne by the taxpayer, by way of Welsh Government grant to NRW.

We are disappointed that the consultation document states that fines resulting from NRW enforcement work are paid to HM Treasury. This would appear to put the environment of Wales at a disadvantage compared to the situation in England. Last year, the Chancellor announced that fines resulting from Ofwat and Environment Agency enforcement activity against water companies would be reinvested in schemes that benefit the natural environment. We believe a similar policy should be in place in Wales, with fines imposed because of environmental offences used to improve the environment in Wales, not paid to the Treasury.

Some activities requiring a licence/ permit are undertaken purely for environmental benefit, and at direct cost and no commercial benefit to individuals and organisations, including the charities we represent. Such work is usually in furtherance of NRW's own aims. In these circumstances, we believe it is appropriate for the taxpayer to bear some or all of NRW's costs, as this provides wider public benefit. In this respect, we believe the current waivers in respect of species licensing should remain (albeit with more transparent guidance), so their costs continue to be borne by the taxpayer.

**7. Having considered our proposals and supporting information, to what extent do you agree or disagree with our charging proposals for COMAH?**

Agree

**8. Are there any other comments that you would like to provide in relation to our proposed COMAH charging proposals?**

No

**9. Having considered our proposals and supporting information, to what extent do you agree or disagree with our charging proposals for species licensing?**



Agree

**10. Are there any other comments that you would like to provide in relation to our proposed species licensing charging proposals?**

We are aware that some conservation activities requiring species licenses by our members have not been included under the conservation waiver where projects also bring in a profit from some of the activity of the project, despite the main purpose of the project being conservation. We would like to see greater clarity and guidance around when the waiver for conservation, scientific research and education might not apply. The application process should be more transparent, and we believe the waiver should apply to any project whose main purpose is conservation.

**11. Having considered our proposals and supporting information, to what extent do you agree or disagree with our proposed break-even and inflationary increases to regimes in deficit?**

Agree

**12. Are there any other comments that you would like to provide in relation to our proposed break-even and inflationary increases to regimes in deficit?**

While we support the need for these increases to enable each regime to reach a break-even point, we are concerned that this is based on a presumption that the current level of regulatory activity is sufficient. From NRW's latest [regulatory report](#) (2022), it is evident that there are significant levels of non-compliance in a number of regimes, and that only a small proportion of permits are checked for compliance. For example, out of over 2000 water resource permits, only 113 were assessed, and 56% were non-compliant, for water discharges, 474 were assessed, and a shocking 75% were non-compliant.

These data suggest that NRW needs to increase its regulatory activity in these sectors. This is supported by evidence from NRW's CEO, Clare Pillman. In the recent [Welsh Affairs Select Committee hearing](#) (Q163), she stated that the reason that DCWW assets could not be monitored more closely was money. This would seem to be a clear indication that, for water discharge permits at least, a real terms increase is required to pay for additional staff and equipment to adequately monitor DCWW assets.

WEL is disappointed that there is no attempt in these charging proposals to increase, in real terms, charges to enable an effective level of regulatory activity to be undertaken in those regimes with the greatest incidences of non-compliance and environmental harm.

Overall, WEL believes NRW needs to provide further information to accompany consultations on charge proposals to enable an effective assessment of its proposals. In particular, it should set out the current levels of regulatory effort and the extent of non-compliance in each regime. This would enable an assessment to be made of the effectiveness of each regime in protecting the environment and human health, rather than just its financial health. We expand on this in two points below:

1. WEL is disappointed that the main criterion NRW appears to be using for setting regulatory charges is the need to achieve financial break-even. We believe the starting point for determining the resources needed for a regulatory regime should be "what level of regulatory effort is required to

ensure a high degree of compliance and minimal risks to the environment and human health?”.

Only when this level of regulatory effort has been assessed can the financial break-even point be determined. Without information on the amount of regulatory effort and extent of non-compliance, it is difficult to say whether the proposed increases are sufficient, though as noted above, a statement by NRW’s CEO would suggest that they are not.

2. WEL believes NRW should be more proactive in adopting a risk based regulatory regime, where regulatory effort is focused on the sites/permits which are at greatest risk of non-compliance. This should then be reflected in the charges for individual permits. Those associated with a poor compliance record should pay more, on a permit-by-permit basis, than those with a good record. For example, a sewage works with a poor record of compliance should pay more than a similar site with a good record, to enable NRW to undertake more monitoring and compliance checks. While this approach is taken in some sectors, in others, notably water discharges and abstraction, it is not.

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The response received from NFU Cymru went beyond the scope of the 2024/25 consultation. We have answered the points relevant to this consultation here and will respond separately to NFU Cymru in relation to their specific comments on our previous Strategic Review of Charges.

### **NFU Cymru Response: Natural Resources Wales (NRW) Consultation on its regulatory fees and charges for 2024/25**

NFU Cymru welcomes the opportunity to respond to Natural Resources Wales’ (NRW) consultation on its regulatory fees and charges for 2024/25.

NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru’s vision is for a productive, profitable, and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, cultural, and social benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.

The importance of the farming industry in rural Wales cannot be over-stated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £8 billion Welsh food and drink industry which is Wales’ largest employer employing over 229,000 people.

Welsh farmers also play a key role maintaining and enhancing our natural environment – Wales’ key asset. Farming activity supports a diverse range of species, habitats, and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales’ tourism and recreation sector worth an estimated £2.5bn annually.

Overall Welsh farming makes a unique contribution to the social, economic, environmental, and cultural well-being of Wales in line with the Well-Being of Future Generations Act summarised in Annex 1.

We note that NRW is consulting on their regulatory fees and charges for 2024/25 and is proposing to maintain as far as possible their existing regulatory charges with 5% increases proposed for the Water Resources Standard Unit Charge (SUC); installations; Site-based Waste; and Water Quality. It is proposed that a number of other regimes will be subject to inflationary increases forecasted at 3.1%.

NFU Cymru's interest, and the focus of this response, is in relation to NRW's proposed changes to the charging regimes that are relevant to agriculture.

### **The Farming Economic Landscape**

Welsh farming is operating in a period of profound uncertainty. Changing agricultural policy and trading arrangements together with 'agflation' and the need to address a range of environmental challenges means that the farming sector is looking to the regulatory system to support the development of sustainable farm businesses for the future.

Welsh farming businesses continue to operate in unprecedented times, global events have led to huge increases in production costs, up some 40% since 2019. Increases that have even eclipsed retail food price inflation putting many production systems under pressure, as evidenced by the sight of empty supermarket shelves for a range of key commodities during 2023. Overall, it's reasonable to forecast that the increases in input costs are now likely to be at least sustained for the medium term.

Whilst we recognise that all areas of Welsh Government expenditure, including Grant in Aid to NRW, are also under unprecedented levels of strain, NFU Cymru is clear that NRW's proposals for its fees and charges need to be considered in the wider economic landscape described above. Welsh farmers are facing a wide range of challenges and are dealing with significant economic turmoil as a result of factors completely beyond their control.

It is our strong belief that Welsh Government and their agencies should give due consideration to the affordability of proposals and their impact on farm business viability as well as the unintended consequences and impacts to Welsh Government's wider policy agenda, for example, in relation to decarbonisation, animal welfare and building economic and environmental resilience for the future.

### **General principles**

Farmers manage over 80% of the land area of Wales and, as such, have a central role to play in meeting Welsh Government's climate and nature objectives alongside their core food production role. Farmers are also fundamental to the delivery of NRW's core purpose to pursue the sustainable management of natural resources (SMNR).

NFU Cymru is clear that the aspirations of Welsh Government and NRW cannot be achieved through regulation alone and a partnership approach with farming will be essential. It is also important to recognise that farmers can only deliver the multiple benefits that society seeks and meet the challenges ahead from a position of economic viability and stability. Overall, it is vital that government and its regulators

recognise the importance of the agricultural industry and its unique contribution through the policy and regulatory framework.

We highlight that regulation, by which we mean 'regulatory activity' that refers to the whole range of regulatory options and interventions available to regulators, is an issue that matters very much to our members; it adds cost and complexity and takes time to achieve and demonstrate compliance. The cumulative effect of regulation can undermine confidence and hinder development of farm businesses. It is also vitally important that farmers in Wales, through the regulatory framework and associated charging regime, are not placed at a competitive disadvantage.

NFU Cymru would remind NRW of the main principles for fees, levies and charges set out by Welsh Government in 'Managing Welsh Public Money'. The guidance is clear, organisations supplying public services should always seek to control their costs so that public money is used efficiently and effectively. The impact of lower costs should normally be passed on to consumers in lower charges. The guidance also states that public organisations are expected to neither to profit at the expense of consumers nor make a loss for taxpayers to subsidise and this requires honesty about the policy objectives and rigorous transparency in the public interest. The guidance also places emphasis on monitoring the performance of a service being charged for.

We highlight that the principles of transparency and efficiency are reinforced within the Regulators Code which is clear that Regulators should avoid imposing unnecessary regulatory burdens through their regulatory activities (the whole range of regulatory options and interventions) and should assess whether similar social, environmental, and economic outcomes could be achieved by less burdensome means. The Code also states, with respect to fees and charges, that Regulators should ensure that their approach to their regulatory activities is transparent and clearly explain the basis on which these are calculated.

In the context of Managing Welsh Public Money and the Regulators Code, NFU Cymru continues to have significant concerns about NRW's approach to its fees and charges. In response to the consultation of the Strategic Review of Charges (2023) NFU Cymru was clear that the onus is on NRW to demonstrate greater transparency and show that cost increases are fair, proportionate, and competitive. We also called on NRW to show that it is efficient in its processes and doing everything it can to keep the costs of these services to a minimum whilst placing a strong emphasis on the quality of service it provides to its customers.

NFU Cymru is calling for a full independent review of NRW's fees and charges to give confidence to those it regulates that the charges are transparent, fair, and proportionate and to support NRW to deliver an efficient and effective service that represents value for money to customers. Furthermore, the strategic review of annual subsistence fees should be suspended until the full independent review is completed. NRW should also develop a system of performance monitoring for the charging regime including the identification of key performance indicators and external review on an annual basis.

**5. To what extent do you agree or disagree that NRW's regulatory services should be paid for by those who use them and not by the taxpayer or other charge payers?**

Strongly disagree

NFU Cymru believes that, in the context of permitting, the application of the ‘polluter pays’ principle is not clear cut. Where, through the permitting regime, the delivery of wider public goods, including food security and rural vitality and socio-economic benefit can be secured we believe a strong case can be made to support the delivery of the charging regime through Grant in Aid. There is also a need for NRW to recognise that farmers will be central to the delivery of its environmental objectives going forward and farm businesses can only deliver wider benefits for society from a position of economic viability. An enabling regulatory regime, including permitting, is vital for farmers to develop and build economic and, therefore, environmental resilience for the future.

The assumption underpinning the question also suggests that the regulatory services provided by NRW are efficient, cost-effective and provide value for money. NFU Cymru is clear that this is not the experience of our members who utilise NRW regulatory services currently. In this context, we do not believe it is fair for NRW to simply pass on the costs of its services to those it regulates where improvements and, therefore, cost savings could be achieved. We reiterate, this should have been an integral step in the SROC methodology applied in 2023 and we are disappointed to see no evidence or engagement with industry to this effect.

**6. Do you think there are any better alternatives to how NRW proposes to fund its regulatory activities?**

Yes. As above, NFU Cymru believes there should be a full independent review of NRW’s charging regime to ensure greater levels of accountability and transparency. The independent review should identify where systems and processes can be streamlined and where efficiencies can be made with the aim of keeping costs to a minimum.

NFU Cymru also believes the permitting regime should be evaluated to identify where wider public goods benefits for society are delivered with a view to supporting the costs through Grant in Aid.

**11. Having considered our proposals and supporting information, to what extent do you agree or disagree with our proposed break-even and inflationary increases to regimes in deficit?**

Disagree

**12. Are there any other comments that you would like to provide in relation to our proposed break-even and inflationary increases to regimes in deficit?**

NFU Cymru welcomes NRW’s commitment to maintain as far as possible the existing annual subsistence charges. We note, however, that for farms holding existing permits NRW proposes an inflationary increase across many regimes. We ask NRW to consider these proposals in the context of the significant inflationary pressures impacting on food production outlined earlier in this response. NFU Cymru would again reiterate our calls for a full independent review of NRW fees and charges to identify where efficiencies and cost savings can be achieved with a view to keeping costs manageable. We do not believe it is a sustainable position for NRW to continue to raise its fees and charges year on year without first exploring where cost savings can be implemented.

**13. Could the proposals affect opportunities for people to use the Welsh language? If yes, please explain in the box below**

**14. Is there a way we can increase the use of Welsh or provide more opportunities for people to use the Welsh language? If yes, please explain in the box below**

**15. Are there any aspects of the proposals that could disadvantage people in using the Welsh language? If yes, please explain the effects and how they could be mitigated**

**16. Do you believe the proposals treats the Welsh language less favourably than the English language?**

The Welsh Government Strategy 'Cymraeg 2050 - A million Welsh speakers' – a strategy document for the promotion and facilitation of the use of the Welsh language - identifies the Welsh language as 'one of the treasures of Wales' and establishes a vision for 2050 of a Welsh language that is thriving, where the number of Welsh speakers has reached a million and where there is recognition by all of its contribution to the culture, society and economy of Wales. In this context NFU Cymru would refer NRW to evidence that recognises the role of Welsh farmers as key promoters and protectors of our culture, heritage, and the Welsh language.

The Welsh Government Agriculture in Wales document (2019) provides a summary of the number of Welsh speakers based on 2011 census results. Overall, 43% of workers in Agriculture, Forestry and Fisheries speak Welsh compared to an average of 17% across all workers in Wales. This figure is the highest percentage of any sector. Four of the top six counties in terms of the proportion of Welsh speakers mirrors four of the top six counties in terms of the population employed in Agriculture, Forestry and Fisheries (Gwynedd, Anglesey, Ceredigion, Carmarthenshire).

The evidence is useful in highlighting the role of farming within our communities in terms of the preservation of the Welsh language. Overall, it is our strong view that a thriving Welsh language in rural areas is underpinned by thriving Welsh farms; any proposals that weaken the farming sector will ultimately weaken our Welsh language and what defines us as a people and a nation.

Farming is, therefore, central to the future of the Welsh language. Many farming businesses have developed alternative enterprises to provide an additional income stream to keep the family business viable and to ensure opportunities for the next generation to stay within the business and live within the area. In the current climate, the development of such enterprises is likely to be increasingly important on Welsh farms. As a result, we continue to be concerned that NRW, through its charging regime, has failed to recognise the negative impacts on Welsh family farms and the fundamental importance of a vibrant and economically viable Welsh farming industry to underpinning the Welsh language.

## Annex 1 - The Contribution of Agriculture to the Well-Being of Wales

The Welsh Government Well-Being of Future Generations (Wales) Act 2015 is designed to improve the social, economic, environmental and cultural well-being of Wales. The Act establishes seven goals that all public bodies, including Welsh Ministers, must work to achieve. The contribution that farming makes to achievement of all seven goals is unparalleled by any other industry, as highlighted in the following below:

Well Being of Future Generations Act: Well-being Goals	NFU Cymru: Agriculture is the Answer
A prosperous Wales	<ul style="list-style-type: none"> <li>• 60,000 employed full or part time in farming in Wales</li> <li>• £1.5bn Gross Output</li> <li>• Farming underpins a food supply chain worth over £6bn</li> <li>• Over 220, 000 people in Wales are employed in the agri-food sectors – that's 17% of the workforce and Wales's biggest employer</li> <li>• The Welsh countryside managed by farmers provides the backdrop for the tourism industry worth over £2.5bn</li> <li>• <b>The Welsh agricultural industry is a key generator of wealth and employment for the people of Wales</b></li> </ul>
A resilient Wales	<ul style="list-style-type: none"> <li>• Farmers care for 81% of total land area of Wales – that's over 1.84m hectares</li> <li>• 600,000 ha of environmentally designated areas</li> <li>• Almost 560,000 ha managed under Glastir Entry Sustainable Land Management Scheme designed to combat climate change, improve water management and maintain and enhance biodiversity</li> <li>• Farming supports a diverse range of species, habitats and ecosystems</li> <li>• Farmers provide a range of ecosystem services including carbon sequestration and management, water quality and water quantity management for flood alleviation</li> <li>• Low carbon, local energy installations have the potential to meet 57% of Wales's electricity consumption and the evidence shows a large proportion of projects are located within Wales's rural local authorities</li> <li>• GHG emissions from agriculture have declined by 20% since 1990 and further decreases are being achieved through production efficiency measures</li> <li>• <b>Welsh farmers play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services</b></li> </ul>
A healthier Wales	<ul style="list-style-type: none"> <li>• Welsh agriculture is a key provider of safe, nutritious, high quality Welsh food which plays a fundamental contribution in supporting the physical and mental well-being of the people of Wales</li> <li>• Welsh farmers are known to operate to some of the highest standards of welfare and production in the whole world</li> <li>• Welsh farming also delivers a significant proportion of Wales's access provision which includes 16000 miles of footpaths, 3000 miles bridleways, 1200 miles of cycle network, and 460,000 ha of open access land</li> <li>• <b>Welsh farming makes a key contribution to the physical and mental well-being of the people of Wales</b></li> </ul>

<b>A more equal Wales</b>	<ul style="list-style-type: none"> <li>• Rural Wales is home to 33% of the Welsh population.</li> <li>• The vitality and potential of rural areas is closely linked to the presence of a competitive and dynamic farming sector. The NFU Cymru 'Why farming Matters to the Welsh Economy' shows that each family farm is typically economically linked to some 40-80 other businesses in the region</li> <li>• <b>Through direct and indirect employment in rural communities, Welsh farming underpins the rural economy and contributes to a more equal Wales</b></li> </ul>
<b>A Wales of cohesive communities</b>	<ul style="list-style-type: none"> <li>• Local communities in rural Wales are heavily dependent on agriculture for financial and social prosperity.</li> <li>• Leadership and voluntary roles in rural communities</li> <li>• <b>Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas</b></li> </ul>
<b>A Wales of vibrant culture and thriving Welsh language</b>	<ul style="list-style-type: none"> <li>• Agriculture has the highest proportion of Welsh speakers of any sector.</li> <li>• Farming is the bedrock of rural communities across Wales which have been shaped by farming activity spanning hundreds of years. Farmers continue to maintain these traditions, preserving rural culture and sense of place</li> <li>• <b>Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language</b></li> </ul>
<b>A globally responsible Wales</b>	<ul style="list-style-type: none"> <li>• Current levels of self-sufficiency at a UK level are at 62%</li> <li>• Future challenges to our global food production system include climate change, a growing UK and global population, water scarcity. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future</li> <li>• <b>Welsh farmers have a key role to play feeding the people of Wales and in contributing to global food security now and in the future.</b></li> </ul>



## Appendix 3 – Glossary

### Acronym / Term

Article 12A

Bespoke Permit

CCG

Charge Structure

Chargeable days/ hours

COMAH

Compliance

Cost modelling

CSO

DC/WW

Duly made

EA

Enabling Services

EPR

Grant in Aid (GiA)

MWPM

NRW/CNC

Permitting

SEPA

SMNR

SRoC

WwTW

WG

### Meaning

Powers for NRW to recover costs for goods, services, and facilities under The Natural Resources Body for Wales (Functions) Order 2013

Site-specific permit (not a standard rule set)

Chargepayers Consultative Group

Calculations based on costs to NRW of active permitting and compliance work

Active permitting or compliance work other than leave, training etc.

Control of Major Accident Hazards

Adherence to the rules of a permit or licence

Time and staff resource data used to calculate costs for active permitting or compliance work

Combined Sewage Overflow

Dŵr Cymru/ Welsh Water

An environmental permit application that has been accepted and has the right information, including all required documents, photographs, fees, and supplemental information requested by us to determination

Environment Agency

Teams /Staff required for permitting and compliance staff to function within the organisation

Environmental Permitting Regulations

Budget from Welsh Government to NRW for non-chargeable business activity and costs

*Managing Welsh Public Money* document published by Welsh Government

Natural Resources Wales / Cyfoeth Naturiol Cymru

Includes the determination of an application for an environmental permit, licence, consent, and other authorisations as well as variations, transfers and surrenders of existing permits

Scottish Environmental Protection Agency

Sustainable Management Of Natural Resources

Strategic Review of Charging

Wastewater Treatment Works (WwTW)

Welsh Government